

Federal Communications Commission

Small Business Market Entry Barriers Forum
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Section 257 of the Telecommunications Act of 1996
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and
Office of Communications Business Opportunities

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OFFICE OF SMALL BUSINESS OPPORTUNITIES

Thank you for the opportunity to be here and to be able to briefly describe the economic and regulatory barriers that impede entry and restrict the ability of small companies to respond quickly to the changing competitive environment. I am president and general manager of Telephone Service Company. A small local exchange carrier that has been serving the community of Wapakoneta, Ohio for the past 101 years. It is very important to our company and the customers that we serve that regulatory and economic burdens are removed so we may continue to provide this same level of service and contribution to local community.

The auction results data of the C block clearly indicate that the small rural telephone companies were left out. Chairman Reed Hundt, refers to wireless, indeed PCS as the telephone company of the 21st century. So far Telephone Service Company has been precluded from joining the 21st century due to economics of the licenses. Only two of the 500 member companies of NTCA were able to secure a C block license on their own. This demonstrates the frustration of many of us who participated in the auction, but soon discovered that we could not afford the steep entry fee others were willing to spend.

Presently there is consideration on changing the partitioning rules that only apply to rural telephone companies. Rural telephone companies should at least maintain the right of first refusal in their wireline areas. This hard-fought victory that should not be usurped by allowing all entrepreneurs to partition, or the same result of the C block will take place and the rural telephone companies will be barred from the 21st century economically and by regulatory actions.

The second issue is the study area waiver fee. The standard, large application fees for study area waivers can be a barrier for smaller companies. The standard application fee in the amount of \$5,350.00 is an

undue burden for some small companies. The Commission should take steps to reduce this burden and continue to work toward encouraging the growth of small, rural companies.

Issue number three concerns the regulatory burden placed on small companies that wish to convert to average schedule settlement status. NECA filed a petition on September 13, 1993, requesting a rulemaking to revise Section 69.605 of the Commissions rules. This rule currently restricts average schedule settlement methods to only those telephone companies that were participating in average schedule settlements on December 1, 1982. By permitting small exchange carriers to convert to average schedule status, the Commission will relieve them and their ratepayers of the financial and administrative burden of conducting detailed cost separations studies. The telecommunications industry has evolved since divestiture, and the need for jurisdictional cost separation studies has lessened. Most states do not require small telephone companies to perform separations studies to determine intrastate costs. So conducting cost studies solely to isolate the interstate portion of operations may be an unnecessary burden for many small exchange carriers. Telephone Service Company is an average schedule company and can attest to benefits that average schedule bring to a small company.

The final issue that I would like to discuss concerns the proceedings taking place in CC Docket No. 96-149. A companies size should definitely be considered in deterring whether the company is dominant. Our small companies cannot possible hope to compete in the provision of in-region services, if we have the same regulatory classifications as the BOCs. We would actually lose benefits in the form of name recognition and goodwill by operating an in-region interexchange business through a separate subsidiary and onerous structural separation requirements. Most importantly I believe the Commission should abandon its conclusion that all incumbents are dominant under the Regulatory Flexibility Act. This is perfect example of an obstacle that come from inside the regulatory arena. The Commission should adopt the SBA's definition of 1500

employees or less and apply that definition to rural incumbent LECs for the purposes of Regulatory Flexibility Act.

I appreciate the opportunity to present these issues . Thank-you.